Manitoba Employee Pensions and Other Costs

Annual Report
2004 - 2005

Manitoba

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MINISTER OF
FINANCE

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

The Honourable John Harvard
Lieutenant-Governor of Manitoba
Room 235 Legislative Building
Winnipeg, MB R3C 0V8

May it Please Your Honour:

I have the privilege of presenting, for the information of Your Honour, the Annual Report covering Manitoba Employee Pensions and Other Costs for the fiscal year ending March 31, 2005.

Respectfully submitted,

Greg Selinger

Honourable Greg Selinger
Minister of Finance

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Introduction

Report Structure

The Annual Report is organized in accordance with the departmental appropriation structure, which reflects the department's authorized vote approved by the Legislative Assembly. The report includes information at the main and sub-appropriation levels, including program descriptions, financial performance and variances, as well as a five-year historical table detailing departmental expenditures.

Overview

The benefits administration program area of Labour Relations Services, Treasury Board Secretariat, is responsible for providing central administrative services to government-wide employee benefits and insurance programs in accordance with collective agreements, legislation and personnel policies. Negotiated plans include the Ambulance and Hospital Semi-Private (AHSP), Dental, Vision, Prescription Drug and Long Term Disability plans as well as the new Health Spending Account. The branch manages the payment and recovery of Workers Compensation from government departments and certain agencies and compiles financial information for statutory benefit and insurance programs including the Civil Service Superannuation Plan, Canada Pension Plan, Group Life Insurance, Employment Insurance and the Levy for Health and Post-Secondary Education.

There are two benefit categories:

1) Non-Recoverable, including Superannuation, Workers Compensation (central costs) and other salary related benefits; and

2) Recoverable, including Canada Pension Plan, Employment Insurance, Civil Service Group Life Insurance, Workers Compensation (departmental costs), Dental, Long Term Disability, Ambulance and Hospital Semi-Private, Vision Care and Prescription Drug Plans and the new Health Spending Account, as well as the Levy for Health and Post-Secondary Education and Pension Liability for New Employees. All costs for recoverable benefits incurred by Employee Pensions and Other Costs are recovered from departments based on either actual salaries paid to employees or on the actual benefit premium paid. Within the recoverable category, benefits can also be divided into two classifications: external, premium-based and self-insured.

PART I
Employee Pensions and Other Costs

Employee Pensions and Other Costs

A. Non-Recoverable Benefits

Civil Service Superannuation Plan

The Civil Service Superannuation Plan provides funding for the employer's share (50%) of pensions paid to retired civil servants in 2004/05, including the annual cost of living increase. Costs consist of payments that were made to 8,531 pensioners.

In addition to this funding, the province has allocated funds in its annual Budget to reduce the annual accumulated pension liability by matching the annual pension contribution for all civil servants hired from April 1, 2000 onward and allocating a portion of a legislated provision for debt/pension repayment toward the accumulated pension liability related to existing employees. In 2004/05, $78.7 million of the $98.5 million debt retirement payment was allocated to the pension liability. This additional funding is not included in the Estimates of Expenditure for the Operating Fund but is recorded as a transfer from the Debt Retirement Fund. Effective October 1, 2002, the employer's cost of matching pension contributions for new employees hired is the responsibility of the employing department as noted under "Pension Liability for New Employees" outlined on page 17.

Expenditures by Sub-Appropriation	Actual 2004/05 $(000s)	Estimate 2004/05 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1a Civil Service Superannuation Plan	62,815.9	62,722.5	93.4	

Other Salary Related Benefits

This appropriation provides funding for recording of the annual increase/decrease in the liabilities for severance, vacation and overtime entitlements for employees who have met the service requirements stated in the collective agreement and are still members of the civil service. Beginning in the 2004/05 fiscal year, the liability associated with employees receiving long term disability and workers compensation benefits has also been recorded.

Expenditures by Sub-Appropriation	Actual 2004/05 $(000s)	Estimate 2004/05 [1] $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1b Other Salary Related Benefits	5,517.8	5,908.5	(390.7)	

[1] The 2004/05 Estimate includes an allocation of $908.5 from Appropriation 26-5, Internal Reform, Workforce Adjustment and General Salary Increases, to provide for unbudgeted costs associated with workers compensation liability and changes in the severance liability as a result of a recent actuarial valuation.

Workers Compensation Board

The Workers Compensation Board (WCB) provides funding for the annual payments to government employees injured at work as assessed by the WCB as well as fees paid to WCB for administration of the compensation plan. The annual payments are recovered from other departments in respect of their employees.

The province is self-insured with respect to Workers Compensation payments, although the WCB provides administrative and assessment services.

Expenditures by Sub-Appropriation	Actual 2004/05 $(000s)	Estimate 2004/05 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1c Workers Compensation Board				
(1) Assessments	2,726.7	2,720.0	6.7	
(2) Less: Recoveries	(2,725.0)	(2,705.0)	(20.0)	
Total Sub-Appropriation	1.7	15.0	(13.3)	

B. Recoverable Benefits

Canada Pension Plan

This sub-appropriation provides for the employer's matching contribution as required under *The Canada Pension Plan Act* for all eligible civil servants.

Expenditures by Sub-Appropriation	Actual 2004/05 $(000s)	Estimate 2004/05 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1d Canada Pension Plan	26,723.8	27,920.7	(1,196.9)	1

1. *Costs associated with the Canada Pension Plan were lower than budget as a result of over-estimating the impact of the federal increase to the maximum contribution from $39.9 to $40.5 in 2004.*

Employment Insurance Plan

The Employment Insurance (EI) Plan provides for the employer's share of premiums as required under *The Employment Insurance Act* for all civil servants.

Expenditures by Sub-Appropriation	Actual 2004/05 $(000s)	Estimate 2004/05 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1e Employment Insurance Plan	15,373.4	16,407.8	(1,034.4)	1

1. *Costs associated with the Employment Insurance Plan were lower than budget as a combined result of the over-estimation of the impact of the federal EI premium reductions from 2.10% in 2003 to 1.98% in 2004 and a further reduction in premiums to a level of 1.95% for 2005 that was not announced until December 2004.*

Civil Service Group Life Insurance

The Civil Service Group Life Insurance plan provides for the government's share (one-third) of payments under *The Public Servants Insurance Act* which includes basic insurance coverage, as well as group life and accidental death and disablement insurance, for all eligible civil servants.

Life insurance is provided to employees at a rate of up to five times their annual salary, to a maximum of $1 million. The employer contribution is 27.5% of the first four multiples only (employee funds 100% of the fifth multiple). Accidental death and disablement insurance is 100% employer paid and is based on the employee's annual salary multiplied by class (1 to 5), as selected under the life insurance plan, up to a specified maximum.

Expenditures by Sub-Appropriation	Actual 2004/05 $(000s)	Estimate 2004/05 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1f Civil Service Group Life Insurance	1,785.9	1,938.5	(152.6)	

Dental Plan

As negotiated under various collective agreements or as provided in the regulations under *The Civil Service Act*, the Dental Plan provides coverage for basic and major restorative dentistry to all eligible civil servants and their dependants, where applicable. The province is self-insured with the plan carrier (Manitoba Blue Cross) being reimbursed for payments made to government employees under the plan as well as an administrative fee.

The plan pays for eligible dental care expenses, to a specified maximum, for both full-time and part-time employees. Effective January 1, 2004, the annual maximum for basic dentistry increased from $1,400.00 to $1,475.00 and the orthodontic lifetime maximum increased from $1,600.00 to $1,675.00 for full-time employees. Coverage for part-time employees is based on 50% of the coverage amounts applicable for full-time employees and up to 50% of the maximum.

Expenditures by Sub-Appropriation	Actual 2004/05 $(000s)	Estimate 2004/05 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1g Dental Plan	6,937.2	7,645.5	(708.3)	

Vision Care

As negotiated under various collective agreements or as provided in the regulations under *The Civil Service Act*, the Vision Care Plan provides coverage for prescription lenses and eye examinations for eligible civil servants and their dependants, where applicable. The province is self-insured with the plan carrier (Manitoba Blue Cross) being reimbursed for payments made to government employees under the plan as well as an administrative fee.

Full-time employees are reimbursed 80% for eligible vision care expenses, to a maximum of $225.00 while part-time employees are reimbursed 80% for eligible expenses, to a maximum of $112.50 every twenty-four month period from the previous actual purchase date.

Expenditures by Sub-Appropriation	Actual 2004/05 $(000s)	Estimate 2004/05 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1h Vision Care	1,251.8	1,516.4	(264.6)	1

1. *Costs associated with Vision Care were lower than budget due to over-estimating the impact of the increase in claim maximums (from $200.00 to $225.00 for full-time employees and from $100.00 to $112.50 for part-time employees) in 2004.*

Prescription Drug Plan

As negotiated through collective bargaining agreements or as provided in the regulations under *The Civil Service Act*, the Prescription Drug Plan provides coverage for eligible drugs or medicines including serums, injectibles, and insulin, which are sold on the written prescription of a medical practitioner and dispensed by a licensed pharmacist for eligible civil servants and their families. The province is self-insured with the plan carrier (Manitoba Blue Cross) being reimbursed for payments made to government employees under the plan as well as an administrative fee.

Full-time employees are reimbursed 80% for eligible expenses, to a maximum of $650.00 per family per calendar year, while part-time employees are reimbursed 80% for eligible expenses, to a maximum of $325.00 per family per calendar year.

Expenditures by Sub-Appropriation	Actual 2004/05 $(000s)	Estimate 2004/05 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1i Prescription Drug Plan	2,714.2	3,004.9	(290.7)	

Ambulance and Hospital Semi-Private Plan

As negotiated under various collective agreements or as provided in the regulations under *The Civil Service Act*, the Supplementary Health Plan provides for an Ambulance and Hospital Semi-Private Plan to all eligible civil servants. Premium payments to the plan carrier (Manitoba Blue Cross) are made, based on the number of eligible employees. Full-time employees and part-time employees are eligible for coverage, although part-time employees are eligible for single coverage only. Premium payments to the plan carrier are 100% employer paid. Part-time employees may elect to increase their coverage to include family members by paying the difference between the family premium and single premium and single premium through voluntary payroll deductions. Effective January 1, 2005, premium rates decreased from $9.10 to $7.80 for single coverage and from $19.24 to $16.12 for family coverage.

Expenditures by Sub-Appropriation	Actual 2004/05 $(000s)	Estimate 2004/05 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1j Ambulance and Hospital Semi-Private Plan	198.1	223.6	(25.5)	

Long Term Disability (LTD) Plan

As negotiated under various collective agreements or as provided in the regulations under *The Civil Service Act*, the LTD Plan provides partial income protection to eligible full-time and part-time employees. The province is self-insured with the plan carrier (Great-West Life) being reimbursed for payments made to government employees under the plan as well as administrative fees and expenses.

Expenditures by Sub-Appropriation	Actual 2004/05 $(000s)	Estimate 2004/05 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1k Long Term Disability Plan	4,813.8	6,307.6	(1,493.8)	1

1. *Costs associated with the Long Term Disability Plan were below budget mainly due to fewer claims and associated costs.*

Levy for Health and Post-Secondary Education

This sub-appropriation provides for the province's payment as required by *The Health and Post-Secondary Education Tax Levy Act.*

Expenditures by Sub-Appropriation	Actual 2004/05 $(000s)	Estimate 2004/05 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1l Levy for Health and Post-Secondary Education	16,218.4	16,265.4	(47.0)	

Pension Liability for New Employees

To address the accumulated pension liability, the Province established a sub-appropriation in 2002/03 to record the employer's cost of matching pension contributions made by civil servants hired on or after October 1, 2002. Costs are the responsibility of the hiring department and, similar to recoverable benefits, are ultimately reflected in the employing department.

Expenditures by Sub-Appropriation	Actual 2004/05 $(000s)	Estimate 2004/05 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1m Pension Liability for New Employees	3,497.8	5,215.0	(1,717.2)	1

1. *Costs associated with the Pension Liability for New Employees were below budget as fewer than expected new government employees were hired between April 1, 2004 and March 31, 2005.*

Health Spending Account

The Health Spending Account provides for a new benefit plan negotiated as part of the Manitoba Government Employees Union agreement settlement. Effective January 1, 2005, the plan allows employees to claim costs up to $120.00 for full-time employees and $60.00 for part-time employees per year (per family) where the annual maximum claim limit associated with other benefit plans has been exceeded. This plan is 100% employer funded.

Expenditures by Sub-Appropriation	Actual 2004/05 $(000s)	Estimate 2004/05 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1n Health Spending Account	21.8	100.0	(78.2)	1

1. *Costs associated with the new Health Spending Account, introduced January 1, 2005, were lower than anticipated due to less utilization than expected.*

C. Recovery from Other Appropriations

This account provides for the recovery of the cost of the various employee benefits plans and related overhead charges from other departments, as described in Section B – Recoverable Benefits.

	Expenditures by Sub-Appropriation	Actual 2004/05 $(000s)	Estimate 2004/05 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1o	Recoverable from Other Appropriations	(84,049.9)	(86,545.5)	2,495.6	1

1. *Recoveries from other appropriations were down mainly as a result of an overall decrease in recoverable benefits paid as described in the relevant individual items included in Section B – Recoverable Benefits.*

PART II
Financial Information

Part A - Operating Expenditure
Employee Pensions and Other Costs
Reconciliation Statement

$(000s)

DETAILS	2004-05 ESTIMATES
2004-05 MAIN ESTIMATES	$ 67,737.5
MAIN ESTIMATES AUTHORITY TRANSFERRED FROM: - Enabling Appropriations: • 26-5 Internal Reform, Workforce Adjustment and General Salary Increases	908.5
2004-05 ESTIMATE	$ 68,646.0

Employee Benefits and Other Costs
Expenditure Summary
(for the fiscal year ended March 31, 2005 with comparative figures for the previous fiscal year)
$(000s)

Estimate 2004-05		Sub-Appropriation	Actual 2004-05	Actual 2003-04	Increase / (Decrease)	Expl. No.
62,722.5	06-1a	Civil Service Superannuation Plan	62,815.9	59,353.0	3,462.9	1
5,908.5	06-1b	Other Salary Related Benefits	5,517.8	7,634.6	(2,116.8)	2
	06-1c	Workers Compensation Board				
2,720.0		(1) Assessments	2,726.7	2,406.5	320.2	
(2,705.0)		(2) Less: Recoveries	(2,725.0)	(2,402.3)	(322.7)	
15.0		**Subtotal (c)**	**1.7**	**4.2**	**(2.5)**	
27,920.7	06-1d	Canada Pension Plan	26,723.8	26,468.0	255.8	
16,407.8	06-1e	Employment Insurance Plan	15,373.4	16,151.4	(778.0)	
1,938.5	06-1f	Civil Service Group Life Insurance	1,785.9	1,676.3	109.6	
7,645.5	06-1g	Dental Plan	6,937.2	6,354.5	582.7	
1,516.4	06-1h	Vision Care	1,251.8	1,108.7	143.1	3
3,004.9	06-1i	Prescription Drug Plan	2,714.2	2,244.5	469.7	4
223.6	06-1j	Ambulance & Hospital Semi-Private Plan	198.1	192.6	5.5	
6,307.6	06-1k	Long Term Disability Plan	4,813.8	4,917.7	(103.9)	
16,265.4	06-1l	Levy for Health & Post-Secondary Education	16,218.4	15,466.0	752.4	
5,215.0	06-1m	Pension Liability for New Employees	3,497.8	1,151.2	2,346.6	5
100.0	06-1n	Health Spending Account	21.8	-	21.8	6
86,545.4		**Subtotal (d) to (n)**	**79,536.2**	**75,730.9**	**3,805.3**	
(86,545.4)	06-1o	Recoverable from Other Appropriations	(84,049.9)	(75,854.2)	(8,195.7)	7
68,646.0	**06**	**TOTALS**	**63,821.7**	**66,868.5**	**(3,046.8)**	

Explanations:

1. The variance for Civil Service Superannuation Plan reflects increased pension benefits paid in 2004/05 for retirements, terminating employees, marital breakdowns, reciprocal transfers and employee deaths, including the annual cost of living increase.

2. The decrease in Other Salary Benefits in 2004/05 was mainly due to a significant 2003/04 increase in vacation and overtime liabilities resulting from the impact of 3% general salary increases effective both March 22, 2003 (retroactive) and March 20, 2004 due to the settlement of the MGEU agreement.

Employee Pensions and Other Costs
Expenditures by Sub-Appropriation
for the fiscal year ended March 31, 2005

Explanations: (continued)

3. Vision Care costs were higher in 2004/05 mainly due to plan growth/demand as well as increases in claim maximums (from $200.00 to $225.00 for full-time employees and from $100.00 to $112.50 for part-time employees in 2004) effective January 1, 2004.

4. The variance for the Prescription Drug Plan is primarily due to plan growth/demand as well as increases in claim maximums (from $500.00 to $650.00 for full-time employees and from $200.00 to $325.00 for part-time employees in 2004) effective January 24, 2004.

5. The Pension Liability for New Employees account reflects departments' contributions, which represent the employer's cost of matching pension contributions made by civil servants hired on or after October 1, 2002. The variance reflects more new civil servants being hired to replace long-term employees as they retire or resign.

6. As the new Health Spending Account was introduced January 1, 2005, no costs were incurred in the 2003/04 fiscal year.

7. The increase in Recoverable from Other Appropriations from 2003/04 is primarily due to the increase in benefits paid in 2004/05, which are recovered from departments, and to changes in the recoverable rate (from 2.23% on March 19, 2003 to 3.12% on January 24, 2004 and to 2.85% on December 25, 2005) charged to departments for self-insured benefits.

PART III
Historical Information

Employee Benefits and Other Costs

Five Year Expenditure Summary

For the fiscal years ending March 31, 2001 to March 31, 2005

$(000s)

	Benefit Plan	Actual 2000/01	Actual 2001/02	Actual 2002/03	Actual 2003/04	Actual 2004/05
06-1a	Civil Service Superannuation Plan	48,244.6	50,777.4	54,485.0	59,353.0	62,815.9
06-1b	Other Salary Related Benefits	(3,161.2)	14,659.5	5,635.4	7,634.6	5,517.8
06-1c	Workers Compensation Board	(115.9)	7.2	109.3	4.2	1.7
06-1d	Canada Pension Plan	19,493.0	22,179.5	24,397.3	26,468.0	26,723.8
06-1e	Employment Insurance Plan	17,577.7	17,032.1	16,609.5	16,151.4	15,373.4
06-1f	Civil Service Group Life Insurance	1,529.1	1,594.8	1,630.0	1,676.3	1,785.9
06-1g	Dental Plan	5,065.9	5,583.1	6,220.7	6,354.5	6,937.2
06-1h	Vision Care	931.7	1,104.6	1,057.1	1,108.7	1,251.8
06-1i	Prescription Drug Plan	-	773.8	2,136.8	2,244.5	2,714.2
06-1j	Ambulance & Hospital Semi-Private Plan	259.3	256.0	243.5	192.6	198.1
06-1k	Long Term Disability Plan	3,273.7	3,575.8	4,233.7	4,917.7	4,813.8
06-1l	Levy for Health & Post-Secondary Education	14,082.2	14,606.1	14,975.5	15,466.0	16,218.4
06-1m	Pension Liability for New Employees	-	-	101.9	1,151.2	3,497.8
06-1n	Health Spending Account	-	-	-	-	21.8
	Subtotal (d) to (n)	**62,212.6**	**66,705.8**	**71,606.0**	**75,730.9**	**79,536.2**
06-1o	Recoverable from Other Appropriations	(62,871.2)	(65,605.0)	(68,238.3)	(75,854.2)	(84,049.9)
06	**TOTALS**	**44,308.9**	**66,544.9**	**63,597.4**	**66,868.5**	**63,821.7**